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FISCAL IMPACT STATEMENT

LS 7600 | **NOTE PREPARED:** Jan 4, 2005
BILL NUMBER: HB 1740 | **BILL AMENDED:**

SUBJECT: Tax increment finance expiration.

FIRST AUTHOR: Rep. Davis | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** | **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill eliminates the December 31, 2005, deadline for creation of tax increment finance allocation areas under the general redevelopment statute.

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues: The state levies a small tax rate on property for State Fair and State Forestry. Any change in the amount granted for TIFs would change the amount received from this tax.

If there is an increase in investment because of the changes in this bill, the new property would, at some point, be placed on the tax rolls and the State Fair and State Forestry funds would receive increased revenues. If the investment would have been made with or without the TIF, then increased revenues to the State Fair and State Forestry funds would be foregone until the property is placed on the regular tax rolls.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, TIFs are granted for up to 50 years, and proceeds may be used to:

1. Pay debt service on obligations incurred for the financing of redevelopment in the allocation area;
2. Deposit funds into a debt service reserve to pay bonds;
3. Pay debt service on bonds used to pay for local improvements in or serving the allocation area;

4. Pay premiums on early bond redemptions;
5. Make lease payments;
6. Reimburse the local unit for the cost of making local improvements;
7. Reimburse the local unit for rent paid by the unit for a building or parking facility in or serving the allocation area;
8. Pay a PTRC-like credit to taxpayers in the allocation area;
9. Pay expenses incurred by the redevelopment commission for public improvements in or serving the allocation area; and
10. Reimburse public and private parties for expenses in training employees of certain industrial facilities.

Currently, no new TIFs can be created after December 31, 2005.

This bill eliminates the December 31, 2005, deadline for TIFs to be granted, effectively allowing these provisions to be granted any time in the future. If there is an increase in development because of this proposal, the assessed value of the new property would be included in taxing units' certified valuations when the TIF area expires. This could (1) eventually help spread the property tax burden and potentially reduce tax rates for most funds and (2) eventually increase revenues in cumulative and capital projects funds. However, if one assumes that the investment would be made with or without the TIF, then TIF allocation (or capture of the new assessed value) would delay the rate reductions and cumulative /capital projects fund revenue increases. In all cases, the granting of a TIF is a local decision.

The impact would depend on the number and dollar amount of new TIFs granted after CY 2005. The following chart shows the total TIFs for the last 10 years.

Year	TIFs	
	Total	Increase
1994	$23,116,487	
1995	27,555,225	4,438,738
1996	32,003,233	4,448,008
1997	31,998,229	(5,004)
1998	38,078,710	6,080,481
1999	40,528,120	2,449,410
2000	51,193,949	10,665,829
2001	29,191,747	(22,002,202)
2002	44,379,676	15,187,929
2003	29,950,248	(14,429,428)

State Agencies Affected: Department of Natural Resources; State Fair Board.

Local Agencies Affected: Department of Natural Resources; State Fair Board.

Information Sources: Local Government Database.

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